GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:3563
ANSWERED ON:18.08.2005
ROYALTY ON CRUDE OIL
Mohale Shri Punnulal

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the committee constituted to formulate a new royalty scheme with regard to crude oil has submitted its report ;

(b) if so, the details thereof; and

(c) the follow-up action taken by the Government?

Answer

MINISTER OF PETROLEUM & NATURAL GAS AND PANCHAYATI RAJ (SHRI MANI SHANKAR AIYER)

(a) & (b) Yes, Sir. An Inter-Ministerial Committee was constituted by the Government to evolve a new scheme for royalty on crude oil w.e.f 1-4-1998 in view of the phased dismantling of the Administered Pricing Mechanism (APM). The Committee consulted all stakeholders, including the Sate Governments in major oil and gas producing areas, National Oil Companies (NOCs), and expert opinion from the National Institute of Public Finance and Policy (NIPFP), an eminent autonomous body supported by the Ministry of Finance. The Committee submitted its report to the Government in November, 2001.

The main recommendations of the Committee were as under:

i) Royalty on crude oil be fixed on ad-valorem basis.
ii) The Crude price to be considered for determining royalty should be the market driven price obtained / obtainable by the producers under the deregulated price regime.
iii) Royalty calculations should be made on a monthly basis.
iv) A deduction of 7.5% and 10% of the crude oil price as a post well head cost be allowed for offshore and onshore areas respectively to arrive at the well-head price of crude for the purpose of levying royalty.
v) Royalty rates should be gradually reduced to align with rates applicable under the New Exploration Licensing Policy (NELP).
vi) For heavy crude oils of 25 degree API and less, the royalty rate should be lower by 2.5% than those applicable for normal crude oils.
vii) The recommendations would be applicable for areas given to NOCs on nomination basis, Production Sharing Contracts where NOCs are licensees and onland discovered fields to be awarded to Pvt./Joint Venture companies.

(c) Based on the recommendations of the Committee, the Government notified a new scheme of royalty on the 17th March, 2003.